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S E C R E T SECTION 01 OF 02 ANKARA 002529

SIPDIS

STATE PLEASE PASS TO EUR/SE

E.O. 12958: DECL: 04/29/2015

TAGS: PREL PGOV MASS TU

SUBJECT: TURKEY APPROVES BILLION DOLLAR F-16 UPGRADE

PACKAGE BUT BROADER DEFENSE COOPERATION STALLED

REF: A. ANKARA 2024

¶B. ANKARA 1588

¶C. ANKARA 1557

Classified By: Ambassador Eric S. Edelman, reasons 1.5 (b) and (d).

¶1. (S) SUMMARY: Turkey's signature of a one billion dollar Foreign Military Sale (FMS) F-16 aircraft upgrade package with Lockheed Martin Aero as the prime USG contractor provided the pretext for Minister of National Defense Vecdi Gonul to publicly reinforce the importance of the US/TU bilateral relationship in general and defense industrial cooperation in specific. During a joint April 26 press conference with the Ambassador and at a pre-meeting, Gonul emphasized the importance of the bilateral relationship to Turkey and acknowledged Government of Turkey (GOT) responsibility to communicate that to the public. Ambassador highlighted the recent offer of a classified communication link between the US Central Command's operation in Iraq and the Turkish General Staff (TGS) as US recognition of the importance of the coalition effort in Iraq to Turkey and another US step to combat the PKK. While noting US appreciation for the F-16 modernization package, Ambassador requested a separate meeting to discuss widespread US defense industry concerns about participating in the Turkish defense market. END SUMMARY.

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FIRST US DEFENSE INDUSTRY WIN IN YEARS  
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¶2. (C) Minister of National Defense Vecdi Gonul organized a joint press conference with the Ambassador and the local Lockheed Martin (LM) Aero representative to trumpet the \$1.098B agreement for the USG through LM to upgrade 117 Block 30s, 40s and 50s. DefMin Gonul's efforts to publicize this good news story were a welcome response to repeated US requests for the GOT to publicly acknowledge the importance of the bilateral relationship. However, while the agreement was a positive step to strengthen our bilateral defense cooperation relationship, it came only after significant negotiation by the TU Undersecretariat for Defense Industries (SSM) and LM Aero over a separate contract to meet a 60% direct offset requirement, and at a time when other US defense contractors are re-evaluating the merits of participation in the Turkish market. This is the first significant FMS agreement won by a US defense contractor since Boeing won a bid for an Air Early Warning and Control System (AEW&C) in 2002. There have been no significant direct commercial sale contracts won by a US firm since 2002.

In 2004 three direct commercial tenders (UAVs, Main Battle Tanks, ATAK Helicopter) were canceled. The UAV tender was re-issued in 2004 and the US contender, General Atomics, lost to an Israeli firm in part due to its inability to meet the tender's onerous terms and conditions (T&Cs) imposed by SSM.

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ONGOING US DEFENSE INDUSTRY FRUSTRATIONS  
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¶3. (C) The ATAK Helicopter tender, reissued in February 2005, was issued under strict new "standard" Terms and Conditions that would prohibit US firms from participating (reflets). Following Bell Helicopter's withdrawal from the competition and Boeing's threat to do likewise, SSM Aviation Department Head Sedat Guldogan notified Deputy PolMilCouns on April 26 that SSM has decided to issue a revised tender in the coming weeks that softens some of the liability clauses and to extend the bid submission deadline from June to Fall 2005. However, given the extent of problems with the initial tender, Boeing's Ankara representative is skeptical that the revision will meet all of Boeing's concerns and allow the company to bid. At the same time, Sikorsky has been involved in lengthy and difficult negotiations with SSM over a \$400 million proposal for 12 additional Seahawk helicopters. Beyond the onerous terms of each individual tender, local US defense industry and Embassy representatives agree that SSM approaches every deal as a win/lose proposal, pressing for further concessions from the companies even after a contract

is signed, and viewing any concession on their part as a loss. At a meeting before the press conference, DefMin Gonul agreed to arrangement of a subsequent meeting to discuss these issues with the Ambassador.

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US ACTION AGAINST THE PKK  
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14. (S) Also at the meeting with Gonul, the Ambassador, recalling the constant barrage of negative Turkish press accusing the US of doing nothing to combat the PKK, highlighted another positive development in the bilateral relationship -- the US offer of a TGS link into the US Central Command's CENTRIX (Combined Enterprise Regional Information Exchange System), a hard-wired computer system in which coalition partners can share data, and the addition of a list of PKK High Value Targets provided by TGS to CENTRIX to aid Multi-National Force - Iraq (MNF-I) forces to identify and detain them if encountered during normal MNF-I operations. In raising the issue, the Ambassador underscored that it is inaccurate and unreasonable for the GOT to say that the US has done nothing to combat the PKK. While accepting that more could be done, he urged that the government acknowledge those positive steps the US has taken.

EDELMAN